NTCA
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
*The Voice of Rural Telecommunications*
www.ntca.org

October 24, 2008

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, D.C. 20554

***Ex Parte*** **Notice:** ***In the Matter of Developing a Unified Intercarrier Compensation Regime,*** **CC Docket No. 01-92;** ***Universal Service Contribution Methodology,*** **CC Docket 96-45, and** ***IP-Enabled Services,*** **WC Docket 04-36.**

Dear Ms. Dortch:

On Friday, October 24, 2008, Charlene Taylor with Chaz Taylor Inc., Cheryl Parrino with Parrino Strategic Consulting Group, Allen Gillum with Mountain Telephone Cooperative Inc., Tom Rowland with North Central Telephone Cooperative, Wendy Fast with Consolidated Telephone Company, and Daniel Mitchell with the National Telecommunications Cooperative Association had a meeting with Commissioner Deborah Taylor Tate and her Legal Advisor, Greg Orlando, to discuss issues raised in the above referenced dockets. NTCA comments and positions during the meeting were consistent with NTCA's previous pleadings and the documents attached that were handed out during the meeting. NTCA urges the Commission to put all issues concerning comprehensive intercarrier compensation (IC) reform, separate from the very narrow Core Remand issue, out for public comment before the FCC adopts any new IC reform rules.

Under no circumstances should the Commission adopt an Interconnected voice over Internet protocol (VoIP) exemption rule. A Formal Ruling that Interconnected VoIP service will pay no access charges will result in a super-arbitrage scenario where AT&T, Verizon and others will reclassify all their current PSTN Voice Service to Interconnected VoIP Service and avoid paying any terminating access charges in the future. The potential of $4 billion in terminating access savings is a windfall for AT&T and Verizon and will be a death knell for some rate-of-return rural LECs.

In addition, NTCA reiterates its commitment to fight fraud, waste and abuse with its previously filed proposal on April 17, 2008, recommending:

> Once a broadband service has been included in the definition of universal service and is Title II regulated, a company that opts to receive broadband universal service funding will voluntarily agree to additional regulatory scrutiny over its Title II regulated revenues and expenses, as well as commit to broadband infrastructure requirements. The company's costs and revenues associated with broadband deployment will be included in the computation of the company's future earnings levels. Specifically, ISP revenues related to dial-up and high-speed services, as well as middle mile costs, backbone costs and other ISP costs would be included in a company's earnings calculations. Universal service funding would only be provided to the extent necessary to recover costs and to earn a return of 11.25% on investment.

This proposal allows for current regulatory scrutiny concerning federal high-cost voice USF support, while creating a regulatory contract between broadband providers and the Commission. Regulators and Congress are asking carriers to build a high-quality National broadband network. Rural LECs are attempting to do their part in the rural high-cost areas they serve. Carriers operating in rural high-cost areas should not be required to commit resources without a reasonable expectation of a return on their investment. Likewise, the Commission, Congress, and the American public are entitled to know that federal USF dollars are being used to support this National broadband network and that these USF dollars are being used prudently. NTCA urges the Commission to adopt its April 17, 2008, proposal because it provides the FCC with an effective means of assuring accountability from the broadband universal service mechanisms by limiting support for carriers who are consistently over-earning on their regulated services and by not permitting universal service over-dependency.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter and the attached documents are being filed via ECFS with your office. If you have any questions, please do not hesitate to contact me at (703) 351-2016.

Sincerely,

/s/ Daniel Mitchell
Daniel Mitchell
Vice President
Legal and Industry

DM:rhb
Enclosures

cc: Commissioner Deborah Taylor Tate
Greg Orlando

LAMAR ALEXANDER
TENNESSEE

# United States Senate

WASHINGTON, DC 20510

October 23, 2008

The Honorable Kevin Martin
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Martin:

I am writing to urge the FCC to allow public comment on the proposed rulemaking for intercarrier compensation reform and the Universal Service Fund rather than voting on the proposal on November 4th. While updated rules are needed to address significant changes in the telecommunications market, I am concerned that expedited consideration of this draft proposal won't allow sufficient time for interested parties to review and comment on its potential impact on consumers and industry.

Thank you for your consideration.

Sincerely,

Lamar Alexander

Lamar Alexander
United States Senator

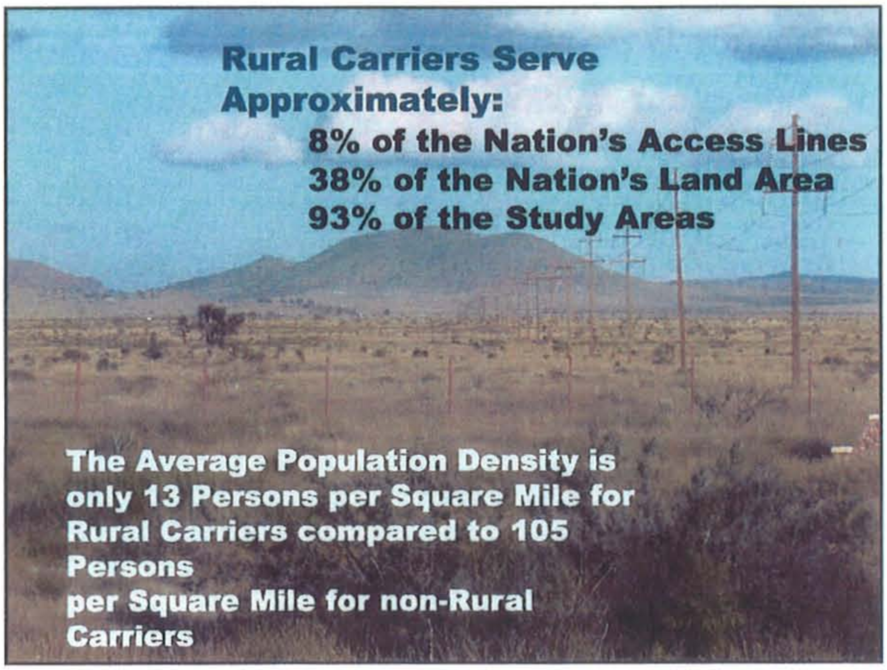
cc: The Honorable Jonathan Adelstein
The Honorable Michael Copps
The Honorable Robert McDowell
The Honorable Deborah Taylor Tate

# SETTLEMENTS AND COMPENSATION

October 15-17, 2008

Nashville, Tennessee

JSI John Staurulakis INCORPORATED



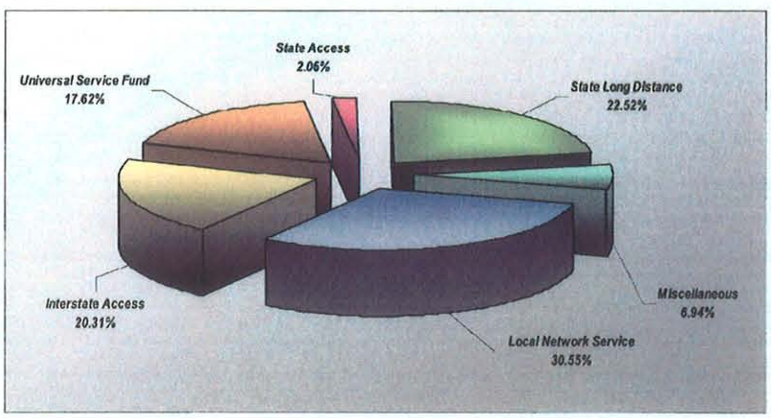
*Rural Carriers are Different!*

# RURAL vs. non-RURAL CHARACTERISTICS

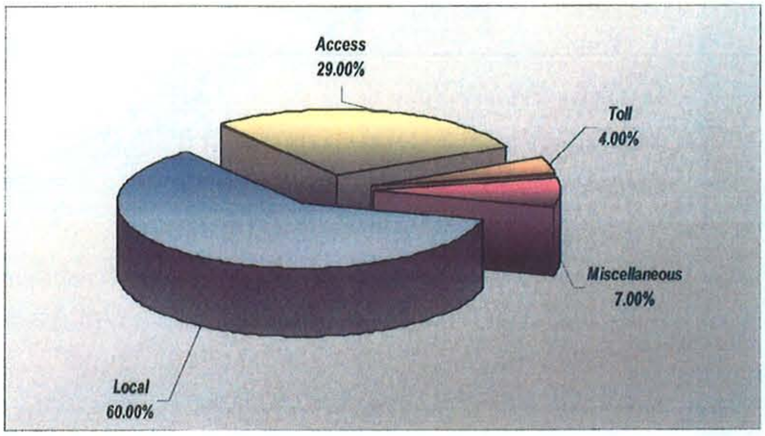
- On Average, Multi-Line Business Customers Represent approximately 13% of total Business Lines for Rural Carriers compared to over 21% of the lines served for non-Rural Carriers
- On Average, Special Access Services Purchased by Large Users only Represent approximately 3% of Total Interstate Revenues for Rural Carriers compared to over 18% for non-Rural Carriers

JSI

# Revenue Distribution Typical Rural LEC



# Revenue Distribution
# RBOC




*Much less Density*

# RURAL vs. non-RURAL CHARACTERISTICS

- On Average, Rural Carriers have only 1,254 customers per Switch compared to over 7,000 customers per switch for non-Rural Carriers

CoBank®
Rural America's Cooperative Bank

50 F Street, NW, Suite 900
Washington, District of Columbia 20001

September 30, 2008

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, D.C. 20554

*Ex Parte* Notice

RE: Developing a Unified Intercarrier Compensation Regime
CC Docket No. 01-92

IP-Enables Services
WC Docket No. 04-36

Dear Ms. Dortch,

CoBank, ACB ("CoBank")[1] urges the Federal Communication Commission (the Commission) to proceed with the utmost care regarding the forthcoming ISP Remand Order. When addressing intercarrier compensation reform, it is critical to consider the rural consumers who rely on rural telecommunication carriers to receive their services. The Commission should ensure that all consumers have access to affordable telecommunications services and the latest technologies – no matter where they live. Technology is only useful when it is affordable to consumers.

CoBank is a cooperative bank with over $3.4 billion in loan commitments to over 200 rural communication companies nationwide. These commitments by sector are comprised of incumbent local exchange carrier (ILEC) (75%), wireless (11%), cable television (12%) and competitive local exchange carrier (2%). In addition, CoBank has syndicated $750 million of communication loans to other financial institutions in the Farm Credit System. The Farm Credit System is a unique cooperative network of customer-owned lending institutions that is exclusively dedicated to improving life in rural America.

[1] CoBank, a $62 billion Denver-based cooperative bank, provides financing to rural cooperatives and critical lifeline businesses – food, water, electricity and communications – across the United States. Part of the $208 billion United States Farm Credit System, the bank also finances agricultural exports. CoBank consistently demonstrates our focus on rural America. We consistently demonstrate our focus on rural America, repeatedly strive to be the trusted advisor for our customer-owners, provide a consistent return on their investment and ownership in CoBank.

In order to provide rural customers the communication services needed to compete in a global economy, rural ILECs rely upon high-cost universal support and intercarrier compensation for a substantial portion of their cost recovery. It is imperative that reform of the rules for these revenue streams take into account the unique characteristics of rural ILECs and their service areas.

CoBank is concerned that proposals like the AT&T and Verizon proposal on terminating access rate do not address the operating characteristics of rural ILECs. The AT&T and Verizon proposal on terminating access rate will make it difficult for rural ILECs to provide rural consumers with a full array of affordable basic and advanced communications services, comparable to price and quality to those offered in urban areas.

CoBank's rural communications customers are committed to providing innovative, high quality, vital infrastructure to meet the demands of its consumers. Our rural telecommunications customers need comprehensive reform of intercarrier compensation, not the adoption of piecemeal proposals.

Respectfully submitted,

**CoBank, ACB**

By: /s/ Robert S. West
Robert S. West
Senior Vice President and Manager, Communication Division

RTFC

RURAL TELEPHONE FINANCE COOPERATIVE
2201 Cooperative Way · Herndon, Virginia 20171-3025
703-709-6700

September 30, 2008

Chairman Kevin Martin
Commissioner Michael Copps
Commissioner Robert McDowell
Commissioner Jonathan Adelstein
Commissioner Deborah Tate

Dear Chairman Martin and Commissioners:

It has come to our attention that a coalition of large telecommunications industry players, including Verizon and AT&T has proposed that the FCC establish a unified $0.0007 terminating access rate for both price cap and rate-of-return carriers. The Rural Telephone Finance Cooperative (RTFC) strongly opposes this proposal. A key lender to the rural telecommunications industry, RTFC currently has over $2.2 billion committed to rural telecommunications companies and cooperatives. Without adequate access revenues, rural telecommunications providers (overwhelmingly rate-of-return carriers) may not be able to repay their existing loans or qualify for new loans.

While RTFC primarily lends to rural telcos for infrastructure modernization and takes a first lien on a borrower's assets, in actuality it is the borrowing telco's level of cash flow that provides us with the truest indicator of its ability to repay the loan. As such, RTFC is very sensitive to potentially significant decreases in key revenue sources.

Access revenues recover a significant portion of a rural local exchange carrier's (RLEC's) costs. According to Professor Dale Lehman's recent study of NECA data on 921 rural local exchange carriers[1], 31% of their regulated revenues came from inter-and intrastate access. If RLECs' terminating access rates are arbitrarily reduced to (a non-cost-based) $0.0007 per minute, rates for other services will have to be significantly increased to make up for the revenue loss. Higher Subscriber Line Charges or local service rates increase the burden on the local ratepayer and increase the likelihood that economically challenged customers who have wireless service will drop their wireline service.

A number of proposals for unifying intercarrier compensation have been proposed and never acted upon in recent years. None were as drastic as what has been proposed by Verizon and AT&T. This plan may work for price cap carriers, but it would be a disaster for RLECs.

[1] The Next Three Years: Likely Scenarios for Rural Local Exchange Carriers

As an entity extremely familiar with the financial condition of RLECs, RTFC can say unequivocally that the Verizon/AT&T plan for a unified terminating access rate of $0.0007 per minute would end most RLECs' plans for extending increased bandwidth to their customers and negatively impact their ability to repay existing loans. We urge the Commission to reject this proposal and not adopt any intercarrier compensation reform plan that fails to provide for a mechanism to allow RLECs to meet their revenue requirements.

Sincerely,

Lawrence Zawalick
Senior Vice President
Rural Telephone Finance Cooperative

October 22, 2008

The Honorable Kevin Martin, Chairman
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Dear Chairman Martin:

Fifteen rural companies operating in the State of Arkansas have very serious concerns about the proposal that will be before the Commission for a vote on November 4th. While we believe that reform is necessary, doing so without allowing companies to see the proposal and also allowing them to comment on the proposal could prove disastrous and we believe the vote should be "No" on November 4th.

As you know, the Intercarrier compensation system is a regulated system that allows companies to compensate each other for the use of their respective networks. This system is vital to the survival of our companies and the communications network. Reform of this system must be conducted with great caution to avoid inflicting unintended and unforeseen harm to both the citizens of Arkansas and the companies that serve it. While we respect the expertise of you and your staff, it is incomprehensible to think that a multi-billion dollar overhaul of the telecommunications economy would be designed seemingly in secret and possibly voted into law on November 4th. Meanwhile, it is our understanding that nobody outside the FCC has seen this 167-page plan. Again, we respectfully request that there be a "no" vote on November 4th or at minimum, this proposal be published in the Federal Register allowing companies time to review and comment on the proposal.

This proposal, we believe, would cripple our companies that together serve most of the homes in rural Arkansas likely leading to less broadband deployment, to layoffs of employees and possible loss of telephone and Internet service in certain areas. We have even heard that there are some predictions that adoption of the current plan would necessitate a government bailout just to ensure that service continues to existing customers.

Sincerely,

Concerned Arkansas Rural Telephone Companies

Arkansas Telephone Company, Inc.
Central Arkansas Telephone Cooperative, Inc.
Centurytel, Inc.
Madison County Telephone Company
Magazine Telephone Company
Mountain View Telephone Company
NATCO Communications, Inc.

Pinnacle Communications
Prairie Grove Telephone Company
Rice Belt Telephone Company
South Arkansas Telephone Company
Southwest Arkansas Telephone Cooperative, Inc.
Walnut Hill Telephone Company
Windstream Arkansas LLC
Yelcot Telephone Company

cc: Commissioner Michael J. Copps
Commissioner Jonathan Adelstein
Commissioner Deborah Taylor Tate
Commissioner Robert M. McDowell
United States Senator Blanche Lincoln
United States Senator Mark Pryor
United States Representative Marion Berry
United States Representative John Boozman
United States Representative Mike Ross
United States Representative Vic Snyder